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Drilling For Clean Energy

The controversial bans on drilling offshore and in the Arctic National Wildlife Refuge have preserved precious oil and natural gas reserves owned by the public. Thank environmentalists for this unintended gift.

But for these bans, we would have wasted the reserves without a strategic plan. Leasing and drilling would have lowered world oil prices by a few cents, benefiting more foreign consumers than Americans. The federal revenue from royalties, lease payments and taxes would have been used to meet current federal expenditures. And our remaining publicly owned oil and natural gas would be substantially depleted. Consequently, our dependence on foreign energy sources would be even greater than it is -- and it is likely that the current commodity price crisis would be worse.

We hope this price crisis prompts the adoption of a strategic plan to use the remaining value of our federally owned oil and natural gas reserves to fund a clean, affordable and independent energy future for America, a goal worthy of short-term environmental concessions and risks. Virtually all general drilling bans should be lifted. We should permit drilling offshore and in the ANWR and require that it be done with appropriate care.

Before granting additional drilling rights, however, we should fundamentally change the terms of future oil and gas lease agreements to ensure that taxpayers capture more of the revenue from our remaining reserves. Today's agreements provide exceptional profits for leaseholders when prices rise, so much so that leaseholders have a significant financial incentive to delay production until prices rise. That must change.

To achieve a huge net win for the environment, the federal revenue from future oil and gas production should be placed in a trust fund and used to foster a clean energy future for America. This must supplement, not replace, other environmental commitments we have made. We should jump-start the necessary federal investments for this secure energy future by

immediately issuing bonds (perhaps called Energy Independence Bonds) against this expected revenue. Issuing such bonds would guarantee that our remaining oil and natural gas revenue is actually used to establish energy alternatives. The bonds would have to be repaid with that revenue.

Opinions vary concerning the volume of remaining federal oil and gas reserves and the amount of federal revenue they would produce. But by any measure, it is an enormous sum. Estimates are in the trillions of dollars, assuming competent federal management. In a sharp break from current practice, none of this revenue should be shared with host states. Most host states already enjoy revenue from oil and gas production on state lands. They have no legal or inherent claim to federal revenue, and the drilling bans have removed any practical expectation of revenue from the areas they affect. Lifting those bans would still give host states windfall benefits from jobs, economic stimulus and tax revenue related to federal production. Most important, host states would directly benefit from federal expenditures used to secure America's energy independence. Diverting revenue to states would hamper our national effort. We are all in this together.

Simply adopting a plausible U.S. strategic plan for energy independence would have a positive impact on world oil prices. And absent a significant supply disruption, oil's economic stranglehold would be eliminated if domestic demand stayed flat or grew only slightly while U.S. consumption of alternatives to oil, including natural gas, increased by a few percentage points a year. With prompt federal action, we could quickly achieve these demand and growth rates and greatly reduce oil's pressure on prices.

The United States can be virtually free of fossil-fuel use within a few decades -- if we pursue this goal aggressively. (Air travel may be the exception.) To meet such an objective, we would turn principally to solar and wind energy. Nuclear should be in the mix as well, at least for the near future. We should rethink biofuels, discouraging those that compete with food production or degrade the environment while encouraging those that capture energy from waste. We are intrigued by the possibility of building a direct current superhighway that would permit the efficient transmission of nuclear, solar and wind power throughout the nation. But we should adopt a strategic plan before making any such tactical decisions. Clean energy technologies developed with federal funding should be federally owned and strategically shared with other nations.

Taking these reasonable steps promptly would avoid an economic train wreck that now seems inexorable while greatly improving our national security. America would again be leading the world, this time toward a sustainable future.

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